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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

) No. ED 5:18-cv-02104-SJO-PLA
Federal Trade Commission,)
Plaintiff,) MEMORANDUM IN SUPPORT OF
v.) MOTION FOR AN ORDER TO SHOW
Jason Cardiff, et al.,) CAUSE WHY DEFENDANTS EUNJUNG
Defendants.) AND JASON CARDIFF AND THIRD
) PARTY JACQUES POUJADE SHOULD
) NOT BE HELD IN CONTEMPT OF THE
) COURT'S PRELIMINARY ORDERS AND
) SANCTIONED UNTIL THEY COMPLY
) FULLY WITH THOSE ORDERS
)
) Hearing Date: July 15, 2019
) Time: 10:00 a.m.
) Place: Courtroom 10C
) [Hon. S. James Otero]

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I. INTRODUCTION

On October 10, 2018, this Court entered a Temporary Restraining Order (“TRO”) against Eunjung and Jason Cardiff (“the Cardiffs”) and the web of alter ego corporations they used to deceptively market dissolvable oral thin film strips. (Dkt. 29). The TRO froze and placed the assets of both the Cardiffs and their companies under receivership. The TRO also ordered the Cardiffs to submit sworn financial disclosure forms to the FTC, cooperate with expedited discovery, identify any new business activity to the Temporary Receiver, and repatriate and turn over assets held outside the United States.¹ The Cardiffs were served with the TRO on October 12, 2018. Dkts. 38, 39.

In violation of the TRO and PI, the Cardiffs have secreted their assets while maintaining control and use of them. In the first four business days after he was served with the TRO, Jason Cardiff made 39 calls to the Canadian bank where Clover Cannastrip Thin Film Technologies, Inc. (“Clover Cannastrip”) had an account – an account that he controlled; those same days, more than \$1.5 million (Canadian dollars, “CAD”) was drained from the account in two large transactions. By November 7, 2018 – when the Cardiffs personally appeared before this Court – \$3 million CAD had been wired to a company purportedly controlled by the brother of Jacques Poujade, the Cardiffs’ longtime friend, and coincidentally bearing the same brand name the Cardiffs had been using since at least June 2018. The next day, a newly-opened bank account in the name of a company registered by Jacques Poujade received an infusion of \$100,000 USD from the brother’s company, and the money started flowing to the Cardiffs. All told, \$490,000 USD

¹ The Court subsequently extended the TRO (Dkt. 48), and later issued a Preliminary Injunction (“PI”) (Dkt. 59) containing substantially similar provisions. The PI was issued on November 8, 2018, and the Cardiffs and their then-counsel were served that same day. Sands Decl., p. 8-9, ¶ 46 & Att. 82, p. 929.

1 moved between those two companies from November 8, 2018 to May 22, 2019,
2 with at least \$206,000 USD paying for the Cardiffs' lavish personal expenses, and
3 the remainder paying for the expenses of cannabis film strip business activities.

4 As discussed below, the Cardiffs (1) failed to repatriate and turn over
5 \$4 million CAD that they controlled via one of their businesses, Clover Cannastrip;
6 (2) dissipated assets subject to the asset freeze by spending freely on luxurious
7 personal expenses and their ongoing cannabis film strip venture; and (3) failed to
8 disclose their domestic and foreign cannabis film strip operations by submitting
9 incomplete financial disclosure forms and refusing to comply with requests for
10 documents.

11 Jacques Poujade has violated this Court's Orders by assisting or acting in
12 concert with the Cardiffs to circumvent the asset freeze and receivership.
13 Specifically, Jacques Poujade funnels money that the Cardiffs control to them
14 under the guise of a loan and hides Jason Cardiff's ongoing involvement in several
15 cannabis film strip businesses.

16 A coercive fine for the Cardiffs makes no sense as it could only come from
17 frozen funds that should be preserved for consumer redress. Further, the Cardiffs
18 are recidivists² for whom monetary fines will be ineffective. Accordingly, the
19 Court should order the Cardiffs to show cause why they should not be incarcerated
20 until they purge their contempt by: repatriating all foreign assets and turning over
21 those assets to the Receiver; replenishing the Receivership estate for money
22

23 ² The Cardiffs disregarded this Court's Orders to comply with the FTC's Civil
24 Investigative Demand; Jason Cardiff ordered his employees to destroy documents
25 before making a production to the FTC; and the Cardiffs immediately violated the
26 TRO in the present litigation. *See FTC v. Redwood Sci. Tech., Inc.*, No. 2:17-cv-
27 07821-SJO-PLA, Dkt. 22 (C.D. Cal. Mar. 20, 2018) (Otero, J.); Sands Decl., p. 2,
28 ¶ 6 & Att. 5, p. 68-74; Receiver's Joinder, Temporary Receiver's Affidavit of
Noncompliance, Oct. 23, 2018.

1 dissipated in violation of the asset freeze; and providing the FTC and Receiver
2 with a full and accurate accounting of all Cardiff businesses and assets.

3 The Court should order Jacques Poujade to show cause why he should not be
4 held in contempt and sanctioned until he replenishes the Receivership estate for the
5 full amount of funds he assisted the Cardiffs in dissipating; provides a full and
6 accurate accounting of the disposition of all Cardiff assets; and fully complies with
7 the Commission's subpoena for documents.

8 **II. THE CARDIFFS' CANNABIS FILM STRIP OPERATIONS ARE A**
9 **DE FACTO CONTINUATION OF THE REDWOOD SCIENTIFIC**
10 **COMMON ENTERPRISE**

11 **A. Cloverstrips**

12 The Cardiffs, began developing their cannabidiol ("CBD") film strip
13 business under the brand name "Cloverstrip" in early 2018.³ Relying initially on
14 their existing alter ego common enterprise corporations,⁴ the Cardiffs used a web
15 of old and new entities – with shared officers and directors, addresses, and
16 incorporation numbers – to launch the CBD strips. Sands Decl., p. 26-27, ¶ 83 &
17 Table 8.

18 Defendant Redwood Scientific designed packaging for Cloverstrips by at
19 least June 6, 2018. Schools Decl., p. 2-3, ¶ 6 & Att. 29, p. 159. Defendant
20 Advanced Men's Institute registered Cloverstrips with the FDA on June 22, 2018.
21 Sands Decl., p. 2, ¶ 9 & Att. 10, p. 127; p. 3, ¶ 10 & Att. 24, p. 192; p. 3, ¶ 10 &

22 ³ "Cloverstrips" were the unifying theme of various Cardiff alter egos in the U.S.
23 and Canada, which used the names Clover Cannastrip Thin Film Technologies
24 Corp., Clover Cannabis Thin Film Technologies Corp., Cloverstrip Thin Film
25 Technologies, Cannabis Oral Thin Film Technology, Roadrunner Scientific, Intel
26 Property, and Pharmastrip, among others. *See* Sands Decl., p. 27, Table 8.

27 ⁴ The Court previously found that the FTC was likely to succeed in showing that
28 the named corporate defendants acted as a common enterprise and are the alter
egos of Jason and Eunjung Cardiff. Dkt. 59, p. 6, ¶ D (lines 12-17).

1 Att. 23, p. 191. By early July 2018, Defendants Redwood Scientific and Advanced
2 Men's Institute were importing Cloverstrips from one of the companies that
3 manufactured the smoking cessation, weight loss, and male sexual enhancement
4 strips that are the subject of the Complaint. Sands Decl., p. x, ¶ y & Att. 8-9, p.
5 122-26. The Commission found stacks of shipping boxes containing more than
6 15,000 Cloverstrip packages at the business premises on October 12, 2018.
7 Schools Decl., p. 3, ¶ 7 & Att. 35, p. 186-90.

8 Eunjung Cardiff signed merchant account applications on behalf of
9 Defendant Identify, doing business as "Clover Strip" (Sands Decl., p. 2, ¶ 9 & Att.
10 11-12, p. 128-45), and Jason Cardiff signed a merchant account application on
11 behalf of Intel Property LLC⁵ to sell "CBD oral thin film strips," listing its website
12 as cloverstrip.com (Schools Decl., p. 2-3, ¶ 6 & Att. 31, p. 170). In August 2018,
13 Jason Cardiff instructed wholesale purchasers of Cloverstrips to make payment to
14 Intel Property, LLC. Schools Decl., p. 2, ¶ 5 & Att. 16, p. 98.

15 Jason Cardiff incorporated Clover Cannastrip in British Columbia on July
16 31, 2018. Sands Decl., p. 7, ¶¶ 35-36 & Att. 72-73, p. 871-74. The company had
17 three founding directors: Eunjung Cardiff, Jason Cardiff, and Jacques Poujade. *Id.*
18 When Jason Cardiff applied for business liability insurance for Clover Cannastrip
19 on October 1, 2018, he listed Redwood Scientific's Upland, California address and
20 identified its website as "cloverstrip.com," the same website listed in the merchant
21 account applications he and Eunjung Cardiff signed on behalf of Intel Property and
22 Defendant Identify. Sands Decl., p. 2, ¶ 10 & Att. 18, p. 168.

23 "Clover Strips" was also the title of an August 2018 investor presentation for
24 Clover Cannabis Thin Film Technologies Corp. ("Clover Cannabis"). Sands Decl.,
25

26
27 ⁵ Redwood Scientific's 870 Mountain Ave. business suites were leased to Intel
28 Property LLC. Dkt. 81-1, p. 15.

1 p. 5, ¶ 25 & Att. 57, p. 711. That presentation – which featured an image of the
2 same Cloverstrip packaging the Commission found at the Redwood Scientific
3 business premises – identified Jason Cardiff as the CEO and President of Clover
4 Cannabis.⁶ Handwritten notes recovered from Eunjung Cardiff’s desk closely
5 match the presentation’s timeline for investment rounds and details for geographic
6 expansion of the business operation. Schools Decl., p. 2, ¶ 5 & Att. 26, p. 148-52.

7 Distributor agreements for Clover Cannabis also appear on Cloverstrip
8 letterhead and refer to the same incorporation number that Clover Cannastrip
9 received when Jason Cardiff incorporated it in July 2018 (Sands Decl., p. 3, ¶ 10 &
10 Att. 16-17, p. 158-67, Att. 25, p. 193), meaning that these “companies” were, in
11 reality, one and the same. Jason Cardiff signed one such distributor agreement on
12 October 10, 2018 (the same day the Court issued the TRO). Sands Decl., p. 3, ¶ 10
13 & Att. 16, p. 158.

14 Jason Cardiff also used a similar name – Cloverstrip Thin Film Technologies
15 – on a September 27, 2018 check he signed for “Cloverstrip Patent Trademark.”
16 Schools Decl., p. 2, ¶ 5 & Att. 12, p. 75-76. The check was from the same Clover
17 Cannastrip bank account where \$1.84 million CAD had been deposited earlier in
18 the month, and from which \$1.56 million CAD was later withdrawn, just days after
19 Jason Cardiff received notice of the TRO. Sands Decl., p. 13, ¶ 50.

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⁶ It also noted that Clover Cannabis is “poised for a nationwide rollout” that would
start producing CBD and tetrahydrocannabinol (“THC”) film strips in California
and leverage Redwood Scientific’s “unparalleled industry experience,” gleaned from
selling “87 million oral film strips,” including the products challenged in the
Commission’s Complaint.

B. Pharmastrip and dissolveresponsibly.com

Numerous documents found when the Receiver took over the Redwood Scientific business premises show the Cardiffs' preparations to launch CBD and THC film strips under the brand name Pharmastrip, often in tandem with Cloverstrips.

As early as July 1, 2018, Jason Cardiff was listed as President of Pharmastrip on a draft "Exclusive Product Reseller Agreement" with Oregon Thin Film Distribution Ltd., a Portland, Oregon business affiliate⁷ that currently sells Cloverstrips and True CBD.⁸ Schools Decl., p. 2-3, ¶ 6 & Att. 30, p. 161; Sands Decl., p. 7, ¶ 37-38 & Att. 74-75, p. 875-911. On October 3, 2018, he signed a Scope of Work agreement with FX Web Media (the company that developed advertising materials for the film strips challenged in the FTC's Complaint) for "Pharmastrip, corporate and product branding, marketing and advertising." Sands Decl., p. 3, ¶ 10 & Att. 22, p. 188-90. The marketing plan covered both Pharmastrip's "Classic Collection" of THC strips and Cloverstrip's "Harmony, Melody, and Serenity" CBD strips. *Id.* Both Eunjung and Jason Cardiff had

⁷ Oregon Thin Film Distribution's principal, Stephen Sweeney, was also listed in a presentation as part of "The Team" of Cannabis Oral Thin Film Technology, along with the Cardiffs and Jacques Poujade. Schools Decl., p. 2-3, ¶ 6 & Att. 17, p. 99.

⁸ True CBD appears to be nothing more than rebranded Cloverstrips. A True CBD eBay page actually featured the Cloverstrip Certificate of Analysis prepared for Oregon Thin Film Distribution, and the products share the "DISCREET – RELIABLE – NATURAL" slogan. Sands Decl., p. 6-7, ¶ 32 & Att. 70, p. 802, 811. True CBD's Facebook page is managed by blake@dislvs.com, which matches the domain used by former Redwood Scientific employee Julie Green to conduct business on behalf of Pharmastrip. Sands Decl., p. 6, ¶ 31 & Att. 69, p. 796; p. 4, ¶ 21 & Att. 46, p. 417. Jason Cardiff likely purchased the domain on October 24, 2018, but he refused to answer questions about it at his deposition. Sands Decl., p. 2, ¶ 5 & Att. 4, p. 67 [Tr. 121:17-123:8].

1 worked on product development, including product and flavor names and
2 descriptions. Sands Decl., p. 24, ¶ 74-75 & Att. 87, p. 946-47, 953; Schools Decl.,
3 p. 2, ¶ 5 & Att. 27, p. 154-55.

4 Phone records show that Jason Cardiff has continued to communicate with
5 FX Web Media's principal, Ty Sherrell, on a regular basis; in fact, between
6 October 12, 2018 and May 7, 2019, Jason Cardiff and Ty Sherrell exchanged at
7 least 268 phone calls and spoke for at least 1,109 minutes. Sands Decl., p. 19-20,
8 ¶ 67 & Table 4. Mr. Cardiff and Mr. Sherrell continued to talk as key deliverables
9 from the Scope of Work agreement were met, including Mr. Sherrell's purchase of
10 the Pharmastrip website domain (dissolverresponsibly.com)⁹; production of
11 Pharmastrip corporate promotion videos; and the development of packaging and
12 box designs for numerous Pharmastrip subbrands, including a line of copycat
13 Redwood Scientific products containing the same "active" ingredients as the stop-
14 smoking and sexual performance strips challenged in the FTC's Complaint, among
15 others, and a "Classic Collection" line matching digital package mock-ups
16 recovered at the Redwood Scientific business premises on October 12, 2018.
17 Sands Decl., p. 8, ¶ 45 & Att. 81, p. 926-28; p. 21-22, ¶ 68-69 & Att. 86, p. 941-
18 43; p. 24, ¶ 76-77 & Att. 71; p. 22-23, ¶ 70 & Att. 87, p. 948-55.

19 Other records also show that Pharmastrip was already integrated into the
20 Cardiffs' business operation before the TRO (e.g., a saved username and password
21 for administration of Pharmastrip.com¹⁰; an order confirmation for t-shirts and caps
22

23 ⁹ Mr. Sherrell was listed as the registrant of dissolverresponsibly.com until March
24 30, 2019. Jason Cardiff was questioned about Mr. Sherrell's role with the website
25 at his March 29 deposition; the two then spoke by phone on March 30. Sands
26 Decl., p. 22, ¶ 69.

27 ¹⁰ Internet domain records show that pharmastrip.com, cannabisotf.com, and
28 greenpharma.co were all registered on June 25, 2018 by GoDaddy.com. On June
25, 2018, Eunjung Cardiff's credit card incurred \$277.22 in charges from

1 bearing the Pharmastrip logo that were ordered at Jason Cardiff's direction; and the
2 title page of a compilation of cannabis-related scientific journal articles that
3 referenced both "Cloverstrip Cannabis CBD" and "Pharmastrip Thin Film
4 Technologies." Sands Decl., p. 3, ¶ 13 & Att. 34-35, p. 234-35, 237; p. 2, ¶ 9 &
5 Att. 14, p. 151.

6 Finally, Jason Cardiff's signature as "President and CEO" of Pharmastrip
7 appears on an October 8, 2018 letter on Pharmastrip letterhead, addressed to the
8 U.S. Consulate in Shanghai, and listing the Redwood Scientific business address in
9 Upland, California. Sands Decl., p. 25, ¶ 82 & Att. 33, p. 233. Former Redwood
10 Scientific employee Julie Green,¹¹ who drafted the letter, testified that it was
11 mistakenly drafted on Pharmastrip letterhead (and should have been on Redwood
12 Scientific letterhead), despite the text's five internal references to Pharmastrip.
13 Sands Decl., p. 2, ¶ 8 & Att. 7, p. 108-12; 117-20. But documents obtained from
14 the U.S. Department of State, Bureau of Consular Affairs belie Ms. Green's
15 testimony: the applicant referenced in the letter did, in fact, apply for a visa in
16 connection with Pharmastrip – and listed Jason Cardiff as his contact. Sands Decl.,
17 p. 5, ¶ 26 & Att. 60, p. 739-43.

18
19
20 GoDaddy.com. Eunjung and Jason Cardiff had emails @cannabisotf.com and
21 Jason Cardiff had one @greenpharma.co. Sands Decl., p. 5, ¶ 24 & Att. 55, p. 709;
22 p. 5, ¶ 26 & Att. 60, p. 740; Schools Decl., p. 2-3, ¶ 6 & Att. 17, p. 99.

23 ¹¹ Pharmastrip's Chief Chemist identified Ms. Green as a current manager of
24 Pharmastrip in a May 2019 conversation with the Receiver. Dkt. 121, p. 7, ¶ 9.
25 Julie Green never even missed a paycheck, receiving a check from Redwood
26 Scientific on October 15, 2018, and one from Alphatech on November 1, 2018,
27 where she continued to develop Pharmastrip letterhead. Sands Decl., p. 2, ¶ 8 &
28 Att. 7, p. 102-07; 115; Sands Decl., p. 3, ¶ 14 & Att. 36, p. 319. Alphatech bank
records also show regular biweekly payments beginning in November 2018 to
former Redwood Scientific employee Justin Daines. Sands Decl., p. 3, ¶ 14 & Att.
36, p. 309-14.

1 Stated simply, to get their passports back, the Cardiffs lied about Jason
2 Cardiff getting a job offer from some independent company called Pharmastrip.
3 Sands Decl., p. 1-2, ¶ 4 & Att. 3, p. 66 [Tr. 121:1-9]. The overwhelming evidence
4 shows that the Pharmastrip brand was nothing more than a continuation of their old
5 businesses with new corporations as cover.

6 Jason Cardiff's phone records also show hundreds of ongoing
7 communications not only with Pharmastrip's media firm, but also with key
8 employees, such as Julie Green and Yuan Yang, among other business associates.¹²
9 Sands Decl., p. 4-5, ¶ 22-23 & Att. 47-54, p. 472-708; p. 20-21 & Tables 5-6.
10 Indeed, he speaks with Mr. Yang (Pharmastrip's Chief Chemist) on a daily basis in
11 person, by telephone, or by text message. *Id.*; Dkt. 121, p. 7, ¶ 9. Pharmastrip's
12 Chief Chemist informed the Receiver that Pharmastrip "just completed its first run
13 of cannabis-related products which are now being shipped to customers. ... [and]
14 that an additional cannabis-related production facility in Colorado is expected to be
15 operational in June 2019, and that other cannabis-related production facilities are
16 planned." Dkt. 121, p. 7, ¶¶ 9-10. The Commission does not yet know how much
17 revenue has been generated by this current business activity.

18 **C. Other Cannabis Operations**

19 The Cardiffs control at least two other entities that appear to be involved in
20 – or established for purposes relating to – their cannabis film strip venture.
21 Cannastrip Labs LLC was established in Wyoming on July 26, 2018, just days
22 before Jason Cardiff incorporated Clover Cannastrip in Canada. Sands Decl., p. 6,
23 ¶ 29 & Att. 67, p. 783. Although Internal Revenue Service documents list Jason
24

25 ¹² Although Julie Green stated in her March 22, 2019 deposition that she had last
26 spoken with Jason Cardiff "a couple weeks ago," phone records indicate that she
27 spoke to him the night before her deposition. Sands Decl., p. 2, ¶ 8 & Att. 7, p.
28 116; p. 8-10, ¶ 8-10 & Att. 52, p. 622.

1 Cardiff's 89-year old father, Gerald Cardiff, as the "sole [member]," the elder Mr.
2 Cardiff does not know anything about this company. Sands Decl., p. 3, ¶ 12 & Att.
3 32, p. 231. Jason Cardiff is identified as the contact person in case of a
4 subpoena,¹³ and the Cardiffs' asset protection limited partnership (Defendant
5 Carols Place Limited Partnership) is the 100% member. Sands Decl., p. 3, ¶ 12 &
6 Att. 31, p. 229-30.

7 On October 2, 2018, Jason Cardiff filed incorporation papers as the sole
8 Director of Haffelgad Switzerland Ltd., a company he registered in Ireland. Sands
9 Decl., p. 3, ¶ 10 & Att. 21, p. 177-87. The same day, a Shanghai, China machinery
10 manufacturer issued a "pro forma invoice" for film strip manufacturing equipment
11 to Haffelgad Switzerland Ltd.; Jason Cardiff's name is on the invoice. Sands
12 Decl., p. 3, ¶ 10 & Att. 20, p. 174-76. The machines were priced at \$113,800 USD
13 total. *Id.* Jason Cardiff appears to have also ordered three additional sets of
14 machines from the same Chinese company. Pro forma invoices for that equipment
15 – identifying Machine 1, Machine 2, and Machine 3 – are dated October 7, 2018,
16 January 9, 2019, and October 7, 2018, respectively, for sets of machines
17 cumulatively valued at nearly \$400,000 USD. Sands Decl., p. 4, ¶ 20 & Att. 43, p.
18 385-93.

22 ¹³ Gerald Cardiff also disclaimed knowledge of merchant applications for the sale
23 of oral film strips, filed in September 2018 by the ironically-named "True and
24 Honesty, LLC," that purportedly bear his signature. Sands Decl., p. 2, ¶ 7 & Att. 6,
25 p. 78; p. 3, ¶ 12 & Att. 29, p. 219. Nor was the elder Mr. Cardiff familiar with IRS
26 notices listing him as sole member of True and Honesty, or a bank account for that
27 same entity opened in his name. Sands Decl., p. 2, ¶ 7 & Att. 6, p. 77. True and
28 Honesty was also used by the Cardiffs to hold their "super voting preferred" shares
of Redwood Scientific stock. Dkt. 7, p. 52-53, ¶ 147.

III. THE CARDIFFS HAVE VIOLATED MULTIPLE PROVISIONS OF THIS COURT'S ORDERS

A. The Cardiffs Hid Assets in Canada and the United States from the Commission and the Receiver

1. Cannabis Business Bank Account Funds

The Cardiffs did not report Clover Cannastrip investment funds to the Commission or the Receiver, did not repatriate the money, and did not identify to the Commission or the Receiver the TD Canada Trust bank account in which those funds were held, despite the fact that they were two of the company's three Directors.¹⁴ Jason Cardiff controlled the Clover Cannastrip bank account when he received notice of the TRO, as evidenced by his September 27, 2018 signature on a check for that account and by the fact that \$1.56 million CAD was drained from the account during the same four-day period (October 15-18, 2018) when he made 39 phone calls to the bank.

On September 6, 2018, a Canadian cannabis business, FSD Pharma, Inc., made a \$1.5 million CAD investment in Clover Cannastrip pursuant to a subscription agreement that listed Jason Cardiff as the sole contact for Clover Cannastrip. Sands Decl., p. 5, ¶ 25 & Att. 59, p. 731-38. Those funds (minus brokerage fees) were in Clover Cannastrip's TD Canada Trust account when Jason Cardiff was served with the TRO. Sands Decl., p. 13, ¶ 50 & Att. 42, p. 377-84. Clover Cannastrip's assets were not limited to the FSD Pharma investment. On or about September 10, 2018, a group of unidentified investors paid \$500,000 CAD

¹⁴ On November 16, 2018, Clover Cannastrip updated its business entity registration, stating that the Cardiffs resigned as Directors on October 8, 2018. Sands Decl., p. 7, ¶ 36 & Att. 73, p. 873-74. The update is highly suspect, given that the referenced event purportedly occurred six weeks earlier, and because the Cardiffs refused to answer questions about their positions as Directors of Clover Cannastrip at their depositions. Sands Decl., p. 1-2, ¶ 4 & Att. 3, p. 66; p. 2, ¶ 5 & Att. 4, p. 67.

1 for 2.5 million shares of stock. Dkt. 126, p. 10-11, ¶ 15. Those funds were also in
2 Clover Cannastrip's Canadian bank account when Jason Cardiff was served with
3 the TRO. Sands Decl., p. 13, ¶ 50 & Att. 42, p. 377-84.

4 A British Columbia Securities Commission filing made by Clover
5 Cannastrip reports an additional \$2.02 million CAD raised on November 5, 2018.
6 Sands Decl., p. 31, ¶ 51 & Att. 68, p. 785-95. Those funds were not deposited in
7 Clover Cannastrip's TD Canada bank account; instead, they were wired (minus
8 brokerage fees) to the trust account of Clover Cannastrip's Canadian law firm, Sui
9 & Co., Solicitors, on November 5, 2018. Sands Decl., p. 13, ¶ 53 & Att. 44, p.
10 394-97.

11 Jason Cardiff's own actions show that he controlled all of the Clover
12 Cannastrip funds. In mid-October 2018, when the Cardiffs sought to retain legal
13 counsel in the days following their notice of the TRO, Jason Cardiff represented to
14 a prospective law firm that he had access to funds in Canada that he believed could
15 be used to pay for the Cardiffs' legal representation. Sands Decl., p. 1, ¶ 2 & Att.
16 1, p. 49-50. The firm explored those sources with Mr. Cardiff – a pending \$2
17 million business deal in Canada and \$200,000 in a Canadian company (in which
18 Jason Cardiff's shares were held by an LLC owned by his father).¹⁵ *Id.* One of the
19 attorney's contemporaneous notes also say "[Jason Cardiff's] laptops have e-mails
20 about cannabis company and 1 million shares." *Id.*; p. 24, ¶ 74 & Att. 27, p. 196-
21 203. Jason Cardiff's conversations with that law firm comport with the \$2 million
22 CAD deal closed by Clover Cannastrip just two weeks later, on November 5, and
23 the Cannastrip Labs LLC registered in the name of his father.

24
25
26 ¹⁵ The firm ultimately determined that the funds in question were subject to the
27 asset freeze, and therefore could not be used as payment for legal services. Sands
28 Decl., p. 24, ¶ 74 & Att. 27, p. 215-16.

1 In total, the Cardiffs failed to identify, account for, repatriate, and turn over
2 at least \$4 million CAD to the Receiver: \$500,000 received on September 6, \$1.5
3 million received on September 13, and \$2.02 million received on November 5.

4 2. Cannabis Business Fixed Assets

5 The Cardiffs' assets also include the machinery that Pharmastrip is using to
6 produce film strips in Cathedral City, California. Dkt. 121, p. 7, ¶10. Yuan
7 Yang's statements about the company's expansion plans are consistent with
8 Eunjung Cardiff's handwritten notes indicating plans to expand the business
9 operation to Washington and potentially 18 other states. Schools Decl., p. 2, ¶ 5 &
10 Att. 26, p. 148-52. Based on the four pro forma invoices sent to Haffelgad
11 Switzerland, the machinery is worth more than \$500,000 USD. Sands Decl., p. 3,
12 ¶ 10 & Att. 20, p. 174-76; p. 4, ¶ 20 & Att. 43, p. 385-93. When asked about the
13 status and location of the film strip machines at his deposition, Jason Cardiff
14 refused to answer. Sands Decl., p. 2, ¶ 5 & Att. 4, p. 6-7. The Court should infer
15 that Jason Cardiff owns and is concealing Pharmastrip's film strip machines.¹⁶

16 **B. The Cardiffs Dissipated Assets that Should Have Been Turned**
17 **Over to the Receiver**

18 The Commission and the Receiver have previously laid out in detail the
19 Cardiffs' penchant for the "good life," to the tune now of more than \$206,000 USD
20 in personal expenses paid by Alphatech's U.S. Bank account over the seven-month
21 period following their notice of the TRO. Sands Decl., p. 15, ¶ 58; Dkt. 115-2, p.
22 13, line 15; Dkt. 121, p. 5-6. The Commission can now show the route that the
23 Clover Cannastrip funds – which were covered by the asset freeze – took to get to

24 ¹⁶ *Keating v. Office of Thrift Supervision*, 45 F.3d 322, 326 (9th Cir. 1995) (trier of
25 fact can draw adverse inferences from the invocation of the Fifth Amendment in a
26 civil proceeding), citing *Baxter v. Palmigiano*, 425 U.S. 308, 318 (1976). The
27 Cardiffs' refusal to answer other deposition questions warrants adverse inferences
28 about the subjects of those questions. See also Dkt. 115-2, p. 8, lines 8-9.

1 Pharmastrip Corp. (the company purportedly controlled by Jacques Poujade’s
2 brother, Richard Poujade) and then to Alphatech.

3 Sui & Co. (“Sui”), a Canadian law firm that represents various Cardiff
4 interests,¹⁷ manages a trust account that was originally named “Pharmastrip
5 Corp./Clover Cannastrip Thin Film Technologies Corp.” and then renamed
6 “Pharmastrip Corp./True Pharmastrip, Inc.” The account names show the unity of
7 these three entities. Sands Decl., p. 4, ¶ 20 & Att. 44-45, p. 394-401. Even more
8 important, Sui’s trust statements for that account show that the law firm: (1)
9 received \$1.2 million CAD from Clover Cannastrip on October 16, 2018, and
10 wired the same amount to Pharmastrip Corp. on October 25; and (2) received a
11 deposit of \$1.7 million CAD on November 5, 2018 (the same date for which
12 Clover Cannastrip reports a \$2.02 million CAD sale of securities), and wired \$1.8
13 million to Pharmastrip Corp. one day later. Sands Decl., p. 4, ¶ 20 & Att. 44, p.
14 394-95.

15 Also on November 6, 2018, Jacques Poujade’s accountant foreign-enrolled
16 Alphatech Holdings LLC in California. Sands Decl., p. 1, ¶ 3 & Att. 2, p. 55-57.
17 On November 7, 2018, the accountant opened a bank account for Alphatech at US
18 Bank. *Id.* On November 8, 2018, Pharmastrip Corp. wired \$100,000 USD to the
19 Alphatech account from the home address of Richard Poujade. Thirteen wire
20 transfers from Pharmastrip followed between January 2, 2019 and May 22, 2019,
21 for a total of \$490,000 USD (minus international wire fees). Sands Decl., p. 16-17,
22 ¶ 59 & Table 3 & Att. 36-40, p. 238-367.

23
24
25 ¹⁷ After being served with the TRO, Jason Cardiff tried to wire \$40,000 USD to
26 Sui from the bank account of Defendant Carols Place Limited Partnership, the
27 Cardiffs’ asset protection limited partnership. Receiver’s Joinder, Temporary
28 Receiver’s Affidavit of Noncompliance, Oct. 23, 2018.

1 There is no legitimate business explanation for the money Pharmastrip Corp.
2 received from Clover Cannastrip (via Sui), and no evidence that Pharmastrip Corp.
3 provided any consideration for those funds. Pharmastrip Corp. was incorporated
4 on September 19, 2018. Sands Decl., p. 28, ¶ 85 & Att. 89, p. 980-86. It has no
5 employees and cannot yet legally conduct business in Canada. Dkt. 115-2, p. 4,
6 ¶19; Dkt. 126, p. 12. Its address is a “virtual office” mail drop that is paid for by
7 Alphatech. Sands Decl., p. 4, ¶ 21 & Att. 46, p. 403-06. The source of
8 Pharmastrip Corp.’s funds, therefore, can only reasonably be attributed to the
9 Cardiffs’ preexisting cannabis film strip business, with Richard Poujade’s
10 Pharmastrip Corp. bank account nothing more than a pass-through device to move
11 funds to the Cardiffs under the guise of a loan.

12 This elaborate ruse enabled the Cardiffs to divert Clover Cannastrip investor
13 funds to cover their personal expenses, in circumvention of the asset freeze, and
14 prevent the disruption of their ongoing cannabis film strip business activities by
15 providing a distinct Canadian legal entity beyond the Receiver’s reach under which
16 those activities could occur undetected. The Alphatech bank account was closed
17 on May 24, 2019; only \$3,146 of the \$490,000 USD it received from Pharmastrip
18 remained. Sands Decl., p. 4, ¶ 17 & Att. 40, p. 356.

19 **C. The Cardiffs Did Not Report Their Cannabis Film Strip**
20 **Businesses to the Commission Or the Receiver**

21 Eunjung and Jason Cardiff each submitted a Financial Disclosure form to the
22 Commission on October 25, 2018 pursuant to the TRO. Sands Decl., p. 5, ¶ 28 &
23 Att. 65-66, p. 760-82. That form required them to report specific information “for
24 this year-to-date and for each of the previous five full years, for each business
25 entity of which [they were] a director, officer member, partner, employee . . . agent
26 owner, shareholder contractor, participant or consultant at any time during that
27 period.” They were also required to identify “all bank accounts for all entities” for
28 which they either had been an officer, director, member, owner, or signatory for

1 the last five years. Despite these requirements, the Cardiffs did not mention Clover
2 Cannastrip, Clover Cannabis, Pharmastrip, Cannastrip Labs, Haffelgad
3 Switzerland, the Sui trust account, or the Clover Cannastrip or Pharmastrip bank
4 accounts on their forms, nor did they report these entities to the Receiver. *Id.*;
5 Kane Decl., p. 2, ¶ 3. The Cardiffs also refused to comply with the FTC’s request
6 for production of documents, asserting an invalid Fifth Amendment privilege on
7 May 16, 2019.¹⁸ Sands Decl., p. 27, ¶ 84 & Att. 88, p. 956-62.

8 **IV. JACQUES POUJADE HAS VIOLATED THIS COURT’S ORDER BY**
9 **ACTING IN CONCERT WITH THE CARDIFFS TO CIRCUMVENT**
10 **THE ASSET FREEZE**

11 **A. Jacques Poujade Had Knowledge of the Asset Freeze**

12 Jacques Poujade acknowledges that he first learned of the TRO in October
13 2018, when Jason Cardiff told him that “all of his assets were seized” and “that the
14 injunction completely prohibited him from having a bank account.” Dkt. 126, p.
15 13-14, ¶¶ 28-29. Additionally, Jacques Poujade’s counsel, who agreed to accept
16 service of subpoenas to Jacques Poujade and his accountant, received a copy of the
17 PI on March 20, 2019. Sands Decl., p. 9, ¶ 47 & Att. 83, p. 930.

18 **B. Jacques Poujade Assisted and Continues to Assist the Cardiffs in**
19 **Dissipating Assets and Concealing Their Business Activities**

20 There is no dispute that Jacques Poujade has funneled through the Alphatech
21 bank account at least \$206,000 that was used to pay for the Cardiffs’ personal
22 expenses. What is disputed is the nature and control of those funds. The
23 Commission has presented clear and convincing evidence that the money used to
24 pay the Cardiffs’ expenses was, in fact, money the Cardiffs controlled, originally
25

26 ¹⁸ *SEC v. Bankers Alliance Corp.*, No. 95-cv-0428 (PLF), 1995 U.S. Dist. LEXIS
27 14730, **11-12 (D.D.C. May 5, 1995) (Fifth Amendment privilege was not
28 implicated by turning over records of foreign bank accounts).

1 through Clover Cannastrip. This money was then washed through other accounts
2 before paying those expenses.

3 The Cardiffs' and Jacques Poujade's version of the facts defies belief. They
4 ask the Court to believe that Jacques Poujade was the architect of the cannabis film
5 strip venture. Dkt. 126, p. 8-9, ¶¶ 7-9. Yet the overwhelming evidence shows that
6 it is a continuation of the Redwood Scientific common enterprise ("same team...
7 same technology," Sands Decl., p. 5, ¶ 25 & Att. 57, p. 717), relying on the
8 Cardiffs' existing business operation and Jason Cardiff's continued involvement
9 and control. The Cardiffs spent months preparing to sell CBD and THC
10 dissolvable film strips.

11 Jacques Poujade concedes that the Cardiffs initially controlled Clover
12 Cannastrip's Board of Directors, but he contends that they "agreed to resign"
13 before any capital was raised, and Jason Cardiff "surrendered his 100 shares of
14 stock" on August 29, 2018. Dkt. 126, p. 9, ¶ 10; p. 10, ¶ 13. This post-hoc attempt
15 to divorce his friends from the business before both the substantial September 2018
16 investments in Clover Cannastrip and the issuance of the TRO by claiming that the
17 Cardiffs immediately acceded to his demand that they walk away – apparently
18 without compensation – is simply not credible.

19 In addition, Jacques Poujade's versions of events do not align with the facts.
20 First, he cites a November 16, 2018 business registration filing as proof that the
21 Cardiffs resigned as Directors on October 8, 2018; this contradicts his own claim
22 that they agreed to resign in August. Dkt. 126, p. 11, ¶ 18. In addition, the
23 evidence shows that Jason Cardiff traveled to Toronto on August 30, 2018 and
24 pitched FSD Pharma on Cloverstrips, identifying himself (not Jacques Poujade, *see*
25 Dkt. 126, p. 9, ¶ 10) as President and CEO of Clover Cannabis, and serving as the
26 only named contact in the subscription agreement signed by FSD Pharma on
27 September 6, 2018. Sands Decl., p. 5, ¶ 25 & Att. 59, p. 731-38, Att. 57, p. 711-
28 27; p. 5, ¶ 24 & Att. 56, p. 710. Jason Cardiff also maintained phone contact with

1 Clover Cannastrip’s securities counsel, broker, and corporate counsel well after
2 Jacques Poujade supposedly cut him out in August 2018. Dkt. 126, p. 9-10, ¶¶ 12-
3 13; Sands Decl., p. 13-14, ¶ 51-55.

4 Jacques Poujade’s story frequently relies on undated documents of dubious
5 authenticity. The document he presented as evidence that Jason Cardiff
6 surrendered 100 shares of Clover Cannastrip stock on August 29, 2018 actually
7 only shows the date on which the shares were issued (July 31, 2018). Dkt. 126, p.
8 18. Similarly, the notice purporting to show that the Cardiffs resigned as Directors
9 of Clover Cannastrip on October 8, 2018 was not filed until November 16, 2018 (a
10 week *after* the Cardiffs personally appeared before this Court and had been served
11 with the PI). Dkt. 126, p. 19-20. Further, his claim that the *November 1, 2018*
12 promissory note between Jason Cardiff and Alphatech “mirrored” the *January 2,*
13 *2019* promissory note between Alphatech and Pharmastrip is simply
14 chronologically impossible. Dkt. 126, p. 14, ¶ 29; p. 22-25.

15 Jacques Poujade’s claim that he “came up with the idea of manufacturing
16 cannabis infused oral thin strips” in June 2018 does not withstand scrutiny because
17 the Cardiffs were already preparing to market Cloverstrips by June 6, 2018. Dkt.
18 126, p. 8, ¶ 7; *see supra*, Sec. II.A. His claim that the Cardiffs did not control
19 Clover Cannastrip funds is an outright lie – Jason Cardiff signed a check from the
20 Clover Cannastrip bank account for legal services on September 27, 2018 (Dkt.
21 126, p. 9-10, ¶¶ 12-13; *see supra*, Sec. II.A.), and he was prepared to use that
22 money to fund his legal defense in this case (see *supra*, Sec. III.A.1). As with
23 Jacques Poujade’s assertion that he was the moving force behind Clover
24 Cannastrip, there is no evidence that he came up with the name Pharmastrip in
25 August 2018; in fact, Jason Cardiff was using the name at Redwood Scientific as
26 early as June and July 2018. Sands Decl., p. 5, ¶ 24 & Att. 55, p. 709; p. 3, ¶ 13 &
27 Att. 35, p. 237; Schools Decl., p. 3, ¶ 6 & Att. 30, p. 160, 167.

**C. Jacques Poujade Continues to Assist the Cardiffs in Evading the
Asset Freeze and Concealing Their Current Business Activities**

Every day Jacques Poujade continues to maintain the fiction that the Cardiffs do not control the assets of Clover Cannastrip (now renamed “True Pharmastrip”), Pharmastrip, and Alphatech, he is acting in concert or participation with them to evade the asset freeze, repatriation provisions, and business reporting requirements of the Preliminary Injunction. The FTC served him with a subpoena for relevant documents on April 10, 2019, issued pursuant to the PI’s expedited discovery provision. He continues to withhold records for his brother’s Canadian Pharmastrip bank account even after admitting in his declaration that Clover Cannastrip, Pharmastrip Corp., and Alphatech all work together as one in the cannabis film strip business. Dkt. 126, p. 13, ¶¶ 25, 27. While \$490,000 USD was siphoned into the Alphatech account for the Cardiffs’ use, the remainder of the \$4 million CAD acquired by Clover Cannastrip in September and November 2018 remains unaccounted for, presumably in the Pharmastrip Corp. bank account.

V. LEGAL ARGUMENT

A. Legal Standard

This Court has inherent authority to enforce compliance with its lawful orders through the remedy of civil contempt. *See Gifford v. Heckler*, 741 F.2d 263, 265-66 (9th Cir. 1984); *see also Shillitani v. United States*, 384 U.S. 364, 370 (1966). This authority extends to non-parties like Jacques Poujade pursuant both to Fed. R. Civ. P. 65(d) in connection with actions “in active concert or participation” with named defendants, and to the Court’s broader power to fashion equitable relief to enforce in rem injunctions, such as the classic example of an injunction to preserve the assets of a receivership estate. *FTC v. Productive Mktg., Inc.*, 136 F. Supp. 2d 1096, 1103-06 (C.D. Cal. 2001) (finding nonparty in contempt of preliminary injunction for failing to turn over assets to a receiver).

After the FTC’s showing of contempt, “[t]he burden then shifts to the contemnors to show why they were unable to comply[.]” *FTC v. Affordable Media*,

1 *LLC*, 179 F.3d 1228, 1239 (9th Cir. 1999) (quotation omitted), a showing that
2 requires the Cardiffs and Jacques Poujade to prove they “took every reasonable
3 step” to comply. *Stone v. City & Cnty. of San Francisco*, 968 F.2d 850, 856 n.9
4 (9th Cir. 1992). In determining whether a party is in contempt, the Court may
5 consider the credibility of the alleged contemnors. *Bunnett & Co. v. Dore*, No. A-
6 15-CV-1104-LY-AWA, 2018 U.S. Dist. LEXIS 36478, **11-15, 33 (W.D. Tex.
7 Mar. 6, 2018) (court determined that the contemnors’ excuses lacked credibility,
8 and that clear and convincing evidence showed that defendant and nonparties were
9 in contempt of a TRO by using a backhand method and tortured payment structure
10 to provide money to a defendant in violation of an asset freeze). Here, the Cardiffs
11 and Jacques Poujade share a complete lack of credibility, and the overwhelming
12 evidence shows that they used a multi-step series of transactions involving Clover
13 Cannastrip, Pharmastrip, and Alphatech to provide the Cardiffs money in violation
14 of the asset freeze.

15 **B. The Assets at Issue Belong in the Receivership**

16 The TRO and PI unambiguously define “assets” as “any legal or equitable
17 interest in, right to, or claim to, any property, wherever located and by whomever
18 held.” The TRO and PI injunctive provisions expand on this already broad
19 definition by covering assets that are owned or controlled, directly or indirectly, by
20 Defendants or any entity owned, managed or controlled by them, are held for their
21 benefit, or are in their actual or constructive possession. See, e.g., TRO and PI
22 Sections VII (Asset Freeze) and Sections VIII (Duties of Asset Holders and Other
23 Third Parties).

24 Clear and convincing evidence shows that the assets at issue are directly or
25 indirectly owned or controlled by the Cardiffs and by Clover Cannastrip and
26 Pharmastrip, alter-ego entities owned, managed, or controlled by the Cardiffs, and
27 which are a de facto continuation of the Cardiffs’ thin film business operations.
28 The overwhelming evidence also shows that the assets are held for the Cardiffs’

1 benefit and are in their actual or constructive possession. *CFTC v. Emerald*
2 *Worldwide Holdings, Inc.*, No. CV 03-8339 AHM, 2004 U.S. Dist. LEXIS 27511,
3 **18-21 (C.D. Cal. Jul. 29, 2004) (failure to repatriate assets violated asset freeze;
4 nominal ownership was irrelevant where order defined “assets” to include funds
5 controlled by or held for the benefit of Defendants).

6 **C. The Cardiffs Are in Contempt of the Court’s Orders**

7 Clear and convincing evidence shows that the Cardiffs are in contempt of at
8 least nine separate provisions of the Court’s TRO and PI relating to assets that
9 should be a part of the Receivership. Dkts. 29, 59. Specifically, the evidence
10 clearly and convincingly shows that the Cardiffs have violated Sections VII, IX, X,
11 XI, XIV, XVII, XVIII, XX, and XXVI of the TRO and PI. As described above,
12 the Cardiffs have concealed and dissipated their assets (e.g., Clover Cannastrip and
13 Pharmastrip assets), in violation of Section VII (Asset Freeze). They have failed to
14 report assets and entities of which they were directors, officers, and owners, in
15 violation of Section IX (Financial Disclosures). They have failed to provide a full
16 accounting of all assets and accounts outside of the United States, have failed to
17 take all steps necessary to provide documents and records held by third parties
18 outside the United States, and have failed to transfer to the United States and
19 deliver to the Receiver all documents and assets located in foreign countries, in
20 violation of Section X (Foreign Asset Repatriation).

21 The Cardiffs have taken actions that resulted in the dissipation of domestic
22 or foreign assets, and in the hindrance of the repatriation of those assets, in
23 violation of Section XI (Non-Interference with Asset Freeze and Repatriation).
24 They have operated and exercised control over business entities without providing
25 the FTC and the Receiver a written statement disclosing required information (i.e.,
26 name, address, identity of officers, directors, principals, managers, employees, and
27 intended activities), in violation of Section XIV (Report of New Business
28 Activity). They have failed to deliver assets to the Receiver, in violation of

1 Section XVII (Transfer of Receivership Property to Receiver). They have failed to
2 provide to the Receiver a list of all assets and accounts of the Receivership entities
3 and the Cardiffs held in other names, in violation of Section XVIII (Provision of
4 Information to Receiver). They have interfered with the Receiver's efforts to take
5 possession of assets or documents subject to the receivership, and disposed of
6 assets belonging to the Receivership and the Cardiffs, in violation of Section XX
7 (Non-Interference with the Receiver). And they have failed to produce a single
8 document pursuant to requests made via expedited discovery, in violation of
9 Section XXVI (Expedited Discovery).

10 Despite Jason Cardiff's more active role, both he and Eunjung Cardiff are
11 responsible for these ongoing violations. They have both concealed and dissipated
12 assets, failed to provide a full accounting of their assets, and failed to turn over
13 assets to the Receiver. They both failed to disclose their connection to Clover
14 Cannastrip, and failed to disclose the continued foreign and domestic operations of
15 Clover Cannastrip, Pharmastrip, and Alphatech. They have both benefited from
16 the Clover Cannastrip funds that were channeled through Pharmastrip and then
17 Alphatech to pay personal expenses, in violation of the asset freeze. They have
18 both failed to respond to discovery.

19 **D. Jacques Poujade Is in Contempt of the Court's Orders**

20 The evidence clearly and convincingly shows that Jacques Poujade has
21 violated Sections VII, VIII, XI, XVII, and XXVI of the TRO and PI. As described
22 above, he has – in active concert or participation with the Cardiffs – transferred,
23 loaned, concealed, and disbursed Cardiff assets, in violation of Section VII (Asset
24 Freeze). He has failed to hold, preserve, and prohibit the disbursement,
25 dissipation, or other disposal of Cardiff documents and assets, in violation of
26 Section VIII (Duties of Asset Holders and Other Third Parties). He has taken
27 actions that resulted in the dissipation of domestic or foreign assets, and in the
28 hindrance of the repatriation of those assets, in violation of Section XI (Non-

1 Interference with Asset Freeze and Repatriation). He has failed to deliver Cardiff
2 assets to the Receiver, in violation of Section XVII (Transfer of Receivership
3 Property to Receiver). And he has failed to provide complete expedited discovery,
4 in violation of Section XXVI (Expedited Discovery). These violations are ongoing.

5 **E. The Cardiffs' and Jacques Poujade's Contempt Warrants Civil**
6 **Incarceration as to the Cardiffs and a Fine as to Jacques Poujade**
7 **Until They Transfer and Return Assets and Produce a Detailed**
8 **Accounting**

9 The Court's power to impose civil contempt sanctions in order to coerce
10 compliance with its orders is clear. *Jones v. All Am. Auto Prot., Inc.*, No. 2:15-cv-
11 01656-SJO-AGR, 2016 U.S. Dist. LEXIS 69409, **1-2 (C.D. Cal. May 24, 2016)
12 (Otero, J). In fashioning a coercive sanction, this Court has considered "the
13 character and magnitude of the harm threatened by continued contumacy, and the
14 probable effectiveness of any suggested sanction in bringing about the result
15 desired.'" *Id.* at *4, (*quoting U.S. v. United Mine Workers of Am.*, 330 U.S. 258,
16 304 (1947)).

17 1. Coercive Incarceration for the Cardiffs

18 The Court should immediately incarcerate the Cardiffs. Monetary sanctions
19 will not be effective in convincing them to comply with the Preliminary Injunction,
20 since their funds are already frozen. In addition, any money should be preserved
21 for the ultimate purpose of consumer redress. Further, given the extent of the
22 Cardiffs' contumacy over more than seven months, and history of disregarding this
23 Court's Orders, only the threat of coercive incarceration until such time as they
24 comply fully with all of the provisions of the Preliminary Injunction is likely to
25 gain their compliance. *Bankers Alliance Corp.*, 881 F.Supp. 673, 683-84 (D. D.C.
26 1995) (failure to comply with contempt order finding violation of repatriation
27 provision in preliminary injunction warranted incarceration of individual
28 defendants).

1 2. Monetary Sanction for Jacques Poujade

2 A coercive fine, rather than incarceration, may be an appropriate remedy,
3 provided Jacques Poujade can show that the money is not coming from the funds
4 he is helping the Cardiffs hide. The FTC requests that the Court impose a daily
5 fine in an amount high enough to compel Jacques Poujade's prompt compliance,
6 such as \$5,000 per day, until he purges his contempt.

7 3. Purge Conditions: Detailed Accounting, Repatriation and Turn
8 Over, and Replenishing of the Receivership Estate

9 The FTC requests that the Court order the Cardiffs and Jacques Poujade to:
10 provide a detailed accounting of all assets covered by the TRO and PI, including
11 all Clover Cannastrip and Pharmastrip assets; turn over all Cardiff assets to the
12 Receiver, including assets that have to be repatriated from abroad; and replenish
13 the receivership estate for the funds they have dissipated in violation of the asset
14 freeze. *SEC v. Fujinaga*, No. 2:13-CV-1658 JCM, 2016 U.S. Dist. LEXIS 159428,
15 **17-18 (D. Nev. Nov. 15, 2016) (upon receiver's contempt motion, court ordered
16 defendant to return all funds withdrawn from a bank account and to disclose their
17 source; and to provide a detailed accounting under oath of each deposit/credit to,
18 and each withdrawal/debit from, the bank account, including the source of each
19 deposit/credit, the recipient or beneficiary of each withdrawal/debit, and the
20 purpose of each debit); *Bankers Alliance Corp.*, No. 95-cv-0428 (PLF), 1995 U.S.
21 Dist. LEXIS 14730, **11-12 (D. D.C. May 5, 1995) (contemnor was capable of
22 repatriating assets and Fifth Amendment privilege was not implicated by turning
23 over records of foreign bank accounts). In addition to the information required in
24 *Fujinaga*, the FTC requests that a full accounting include the identification of any
25 consideration received for any transfer of funds, including consideration for any
26 transfers from Clover Cannastrip to Pharmastrip, from Pharmastrip to Alphatech,
27 and from Alphatech to the Cardiffs, and the production of all bank documents on
28

1 file with banks where subject accounts are held, including documents identifying
2 the parties responsible for the account and wire transfer details.

3 **VI. CONCLUSION**

4 For the foregoing reasons, the FTC respectfully requests that the Court order
5 the Cardiffs to appear personally and show cause why they should not be held in
6 contempt and coercively incarcerated until they repatriate their foreign assets and
7 turn their assets over to the Receiver; replenish the receivership estate for the funds
8 they have dissipated to date in violation of the asset freeze; and provide a full
9 accounting of the \$4 million CAD of Clover Cannastrip funds and all other
10 unreported monetary and non-monetary Cardiff assets.

11 The FTC also requests that Jacques Poujade be ordered to appear personally
12 and show cause why he should not be held in contempt and sanctioned with a daily
13 fine until he replenishes the receivership estate for the \$490,000 USD he helped
14 dissipate and produces all documents responsive to the Commission's subpoena,
15 including a full accounting of the Clover Cannastrip funds.

16
17 Respectfully submitted,

18 Dated: June 17, 2019

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